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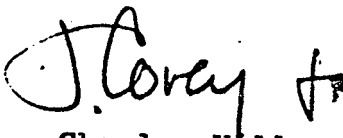
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TO : NSC - Mr. Michael O. Wheeler
ACDA - Mr. John Tierney
CIA -
Commerce - Mrs. Helen Robbins
Defense - COL John Stanford
JCS - LTC Dennis Stanley
OSTP - Dr. George Keyworth
Treasury - Mr. David Pickford
USTR - Mr. Dennis Whitfield

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SUBJECT: Technology Transfer Policy towards China

Attached is a later, corrected version of Tab B of the package circulated earlier today. This version constitutes the final OSTP report.


Charles Hill
Executive Secretary

Attachment:

As stated.

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WORKING GROUP PAPER
ON
TECHNOLOGY TRANSFER POLICY FOR CHINA

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WORKING GROUP MEMBERSHIP

LOUIS T. MONTULLI	(CHAIRMAN)	OSTP
ART MANFREDI	(VICE CHAIRMAN)	NSC
DAVID LAUX		NSC
LARRY ROEDER		DOS
BOB DAVIE		DOS
BILL ROPE		DOS
RICHARD MUELLER		DOS
WILLIAM ROOT		DOS
RICHARD BOUCHER		DOS
JERRY VAN SECKLE		DOD
MIKE MALOOF		DOD
JOHN KONFALA		DOD
JEANNE MINTZ		DOD
CHRISTOPHER JOHNSON		JCS
JEFFERY LEE		DOC
WILLIAM ARCHEY		DOC
ROBERT PERITO		DOC

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Technology Transfer Policy for China

Introduction

I. Management Control Policy
National Security Controls
Foreign Policy Controls

II. Technology Transfer Levels

III. Discussion

National Security Vice Foreign Policy Controls
Technology Transfer Level
CoCom Concerns
U.S. Demarche to China

IV. Decission Determination

Tab A

Problem Discussion on Technology Transfer Policy for China

Tab B

Procedural Improvement Recommendations

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Technology Transfer Policy for China

Our export policy toward China must reflect a balance between two competing objectives. On the one hand we desire to develop a strong and enduring relationship with China, which in time seeks to align them more closely with the West. U.S. export policy is a key tool to further this objective. On the other hand there is a legitimate concern that the intended relationship may not mature favorable for the U.S. As a result it is prudent to insure our exports do not contribute in a major way to that portion of China's military capability that if used against us, would pose a major national security risk to ourselves or our allies. The formulation of U.S. export policy to China must therefore contend with the strain caused by these competing concerns, provide the best balance at any one time, and be prepared to adjust as the relationship changes.

Significant difficulties have surfaced with the state of current China export policy and its execution within the U.S. government. (See Tab A for expanded discussion). Recent Chinese American dialogue makes it imperative we review this policy and move forward from a uniform U.S.G. position. In support of this review our interagency group on China has studied the issues and endorses the adoption of five implementation improvement options shown at Tab B. We further offer for discussion two distinct policy options for future management control of policy and suggest a set of four possible statements to express the level of technology transfer to be permitted.